

Message Text

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INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 /069 W
-----033937 021652Z /44

P 021328Z DEC 77

FM AMEMBASSY MADRID
TO SECSTATE WASHDC PRIORITY 2700
AMEMBASSY BEIRUT
AMEMBASSY BRUSSELS
AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
USMISSION USNATO
AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 01 OF 02 MADRID 09547

E.O. 11652 XGDS-1
TAGS: PINT, SP
SUBJECT: PSOE'S MUGICA ON THE DOMESTIC SITUATION

1. SUMMARY: PSOE INSIDER ENRIQUE MUGICA SEES PSOE EFFORTS TO LAY A SOLID FOUNDATION FOR ITS EVENTUAL ASSUMPTION OF POWER PROSPERING, BUT CONSIDERS THE ELECTORAL CALENDAR AS VERY UNCERTAIN AT THIS JUNCTION. THE PARTY LEADERSHIP RECEIVED A BROADENED MANDATE FROM ITS FEDERAL COMMITTEE OVER THE WEEKEND. END SUMMARY.

2. DURING LUNCH CONVERSATION WITH ME NOVEMBER 30 DEVOTED PRIMARILY TO DEFENSE AND FOREIGN POLICY MATTERS (SEPTEL), PSOE EXECUTIVE COMMITTEE MEMBER AND THE
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CHAIRMAN OF DEFENSE COMMITTEE IN CONGRESS OF DEPUTIES ENRIQUE MUGICA PREDICTABLY BRIMMED WITH CONFIDENCE THAT THE PSOE WAS PERFECTLY CAPABLE OF GOVERNING EFFECTIVELY IF THE SUAREZ GOVT PROVED INCAPABLE OF DOING SO. ALTHOUGH HE HAD BEEN AWAY FROM MADRID ON AN EXTENDED MIDDLE EAST TRIP (WHERE THE ZIONIST MUGICA, AFTER VISITING ISRAEL, MET PLO LEADER ARAFAT IN LEBANON), ANBG

CONSEQUENTLY WAS A BIT OUT OF TOUCH WITH THE MOST RECENT DEVELOPMENTS AT HOME, MUGICA DID MAKE THE FOLLOWING INFORMED OBSERVATIONS ON CURRENT POLITICAL EVENTS:

3. THE PSOE AND THE "DE FACTO POWERS". THE PARTY LEADERSHIP REALIZED THAT THE PSOE "COULD NOT GOVERN WITH THE HOSTILITY OF THE KING, THE MILITARY, BUSINESS AND THE BANKS, AND THE US." CONSEQUENTLY, IT WAS CONDUCTING A SERIES OF GET-ACQUAINTED DISCUSSIONS WITH THE KING AND LEADERS OF THESE VARIOUS SECTORS, A PROCESS IN WHICH MUGICA INCLUDED GONZALEZ' RECENT US VISIT, WHICH HE BELIEVED HAD GONE EXTREMELY WELL. MUGICA FELT THESE ENCOUNTERS WERE FRUITFUL, AND BELIEVED THAT, ALTHOUGH A NUMBER OF THEIR INTERLOCUTORS, PARTICULARLY THE BANKERS, WERE SKEPTICAL, THEY WERE REASSURED AS THEY LEARNED MORE ABOUT THE PSOE'S APPROACH TO GOVERNANCE AND APPRECIATED WHAT MUGICA TERMED THE MATURATION AND MODERATION OF THE PARTY. AT A MINIMUM, HE CONCLUDED, THEY WERE ACCEPTING THE VERY REAL POSSIBILITY THAT THE PSOE WOULD BE GOVERNING THE COUNTRY IN THE NOT-TOO-DISTANT FUTURE.

4. PSOE LEADERSHIP'S MANDATE. AT THE NOVEMBER 28 MEETING OF THE PSOE'S FEDERAL COMMITTEE, MUGICA SAID, GONZALEZ HAD EXPLAINED THAT THE POLITICAL SITUATION HAD EVOLVED TO SUCH AN EXTENT THAT THE LEADERSHIP WOULD

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NEED A BROADER MANDATE AND MORE MANEUVERING ROOM THAN PROVIDED BY THE RESOLUTIONS OF THE DECEMBER 1976 CONGRESS. THE FEDERAL COMMITTEE HAD RESPONDED WITH THE REQUESTED MANDATE, INCLUDING SPECIFICALLY AUTHORIZING THE EXECUTIVE TO NEGOTIATE ITS FINAL POSITION ON THOSE CONSTITUTIONAL PROVISIONS DEALING WITH THE MONARCHY, "WITHOUT RENOUNCING ITS REPUBLICANISM." THIS MEANT, MUGICA SAID, THAT THE EXECUTIVE WAS NOW FREE TO WITHDRAW ITS OPPOSITION ("VOTO PARTICULAR") TO THOSE ARTICLES CONCERNING THE FORM OF THE STATE (MADRID 9373; 9374), AND HE BELIEVED THE PARTY'S FINAL POSITION ON THEM WOULD BE ONE OF ABSTENTION. MUGICA INTIMATED THAT GONZALEZ HAD INDICATED AS MUCH TO THE KING DURING THEIR RECENT CHAT.

5. TIMING OF ELECTIONS UNCERTAIN. TURNING TO THE MUCH-DISCUSSED SYNDICAL AND MUNICIPAL ELECTIONS, MUGICA PROFESSED UNCERTAINTY AS THE RESULT OF A LACK OF CLARITY ON THE PART OF THE GOVT. IT WAS BEGINNING TO APPEAR THAT SYNDICAL ELECTIONS MIGHT NOT BE HELD UNTIL EARLY NEXT YEAR, PERHAPS AS LATE AS FEBRUARY, UNLESS THE GOVT ACQUIESCED IN "URGENT" TREATMENT OF THE NECESSARY LEGISLATION IN THE CORTES. HE HOPED THE MUNICIPAL

CONTEST WOULD TAKE PLACE BEFORE THE END OF MARCH, BUT AGAIN SAW THE CLOCK TICKING AWAY AND NO CLEAR INDICATION OF WHAT THE GOVT'S GAME ULTIMATELY WOULD BE.

6. A PSOE COALITION GOVT. MUGICA REITERATED HIS CONVICTION THAT THE PSOE COULD FORM A GOVT IN COMBINATION WITH BASQUE AND CATALAN REGIONAL GROUPINGS AND THE "PROGRESSIVE" WING OF UCD, WHICH HE DEFINED AS THE SOCIAL DEMOCRATS (FERNANDEZ ORDONEZ), THE LIBERALS (CAMUNAS AND PARTICULARLY GARRIGUES), AND "CERTAIN ELEMENTS" OF ALVAREZ DE MIRANDA'S CHRISTIAN DEMOCRATIC PARTY (PDC). MUGICA BELIEVED THAT, SHOULD THE SUAREZ GOVT FALL, THE KING WOULD BRING HIS INFLUENCE TO BEAR ON THE CARRY-OVER

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COUNCIL OF THE REALM, IN ORDER TO ENSURE THE EXPEDITIOUS ASSUMPTION OF POWER OF THE PSOE ALTERNATIVE. IN RESPONSE TO A QUESTION, MUGICA SAID THAT BECAUSE THE PSOE'S AIM IN SUCH A GOVT WOULD BE THE FURTHER CONSOLIDATION OF SPANISH DEMOCRACY, NOT FUNDAMENTAL ECONOMIC TRANSFORMATIONS, AN ECONOMICALLY CONSERVATIVE BUT POLITICALLY PROGRESSIVE MAN LIKE PUBLIC WORKS MINISTER

JOAQUIN GARRIGUES WOULD NOT, IN HIS VIEW, BE THE LEAST BIT UNCOMFORTABLE IN A PSOE-DOMINATED COALITION. ALSO, THE PSOE WOULD BE BETTER PLACED THAN SUAREZ TO ASK AND OBTAIN ECONOMIC SACRIFICES.

7. THE MIDDLE EAST TRIP. IN A BRIEF ASIDE CONCERNING HIS RECENT TRIP TO ISRAEL AND LEBANON, MUGICA, WHO
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PROFESSES NO EXPERTISE ON MIDDLE EAST ISSUES, SAID HE FOUND ARAFAT TO BE RATHER MODERATE, RELATIVELY OPEN-MINDED ABOUT THE SADAT VISIT TO ISRAEL, AND APPARENTLY IN CHARGE' ARAFAT SAID HE WAS VERY CONCERNED ABOUT THE POSSIBILITY OF MASSIVE ISRAELI RAIDS ON PALESTINIAN CAMPS IN SOUTHERN LEBANON, BUT WOULD WAIT AND SEE HOW MATTERS PROGRESSED BEFORE COMMITTING HIMSELF TO A CONDEMNATION OF SADAT'S INITIATIVE.

8. COMMENT: MUGICA'S INGRAINED OPTIMISM ABOUT THE PSOE'S ABILITY TO TAKE OVER FROM UCD IN THE SHORT TERM SHOULD NOT OBSCURE THE FACT THAT THE PSOE LEADERSHIP, INCLUDING MUGICA, CLEARLY FEELS THAT IT HAS CONSIDERABLY MORE FOUNDATION-LAYING TO PERFORM BEFORE THAT TIME COMES. GONZALEZ HAS MADE IT QUITE CLEAR SINCE HIS RETURN FROM THE US THAT THE PSOE HAS NO INTENTION OF "HARASSING" THE GOVT, AND PSOE LEADERS FULLY REALIZE THAT THE FALL OF THE SUAREZ GOVT OVER THE SHORT TERM, IMPLYING AS IT WOULD A FURTHER WORSENING OF THE COUNTRY'S ECONOMIC SITUATION, WOULD VERY LIKELY CONTAIN THE SEEDS OF PSOE INABILITY TO GOVERN EFFECTIVELY AS WELL. STABLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Sent Date: 02-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MADRID09547
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: D770447-1089
Format: TEL
From: MADRID
Handling Restrictions: n/a
Image Path:
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Locator: TEXT ON-LINE, ON MICROFILM
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Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 105060
Secure: OPEN
Status: NATIVE
Subject: PSOE\ S MUGICA ON THE DOMESTIC SITUATION
TAGS: PINT, SP
To: STATE BEIRUT
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/97ef20fb-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009